

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 XMB-02 SAM-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-02

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 IO-10 AF-06 ARA-06 EA-06 NEA-09 /131 W

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC 7087

INFO USMISSION EC BRUSSELS

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E.O. 11652: N/ A

TAGS: ETRD, OECD

SUBJECT: EXPORT CREDITS GROUP MEETING MAY 15: LOCAL
COSTS

PASS TREASURY FOR CANNER AND EXIMBANK FOR GIANTURCO
FOLLOWING IS TEXT OF INFORMAL DECLARATION ON LOCAL
COSTS ADOPTED AD REFERENDUM BY MEMBERS OF EXPORT CREDITS
GROUP MAY 15:

BEGIN TEXT:

FOR SEVERAL YEARS NUMEROUS ATTEMPTS HAVE BEEN MADE
TO REACH AN AGREEMENT CONCERNING LOCAL COSTS IN THE
CONTEXT OF OFFICIALLY SUPPORTED CONTRACTS RELATED TO
EXPORTS FINANCED BY SUPPLIER OR BUYER CREDITS.

AT THE 23RD MEETING OF THE OECD GROUP ON EXPORT
CREDITS AND CREDIT GUARANTEES IT WAS NOTED THAT, ON THE
ONE HAND, MEMBERS OF THE GROUP WERE NOW IN A POSITION
TO FOLLOW CONVERGING PRACTICES IN THIS MATTER, AND,
ON THE OTHER HAND, THAT MORE TIME WOULD STILL BE NECES-
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SARY BEFORE THE NEGOTIATION WAS FORMALIZED THROUGH A

RESOLUTION OF THE COUNCIL OF THE OECD. (1)

TO AVOID A DETERIORATION IN THE TERMS OF OFFICIAL SUPPORT FOR LOCAL COSTS, MEMBERS OF THE GROUP DECLARED THAT FROM 1ST JULY 1975 THEIR PRACTICES WOULD BE BASED ON THE FOLLOWING ELEMENTS:

1. IT HAS BEEN AGREED NOT TO FINANCE OR COVER CREDIT FOR MORE THAN 100 PER CENT OF THE VALUE OF THE GOODS AND SERVICES EXPORTED (EXPORTED "GOODS AND SERVICES" INCLUDING GOODS AND SERVICES SUPPLIED BY THIRD COUNTRIES). THIS MEANS THAT THE AMOUNT OF LOCAL COSTS SUPPORTED ON CREDIT TERMS MUST NOT EXCEED THE PAYMENTS TO BE RECEIVED FOR THE GOODS AND SERVICES EXPORTED BY THE COMPLETION (2) OF THE EXPORTER'S CONTRACTUAL OBLIGATIONS.
2. IT HAS FURTHER BEEN AGREED NOT TO GRANT SUPPORT UNDER PARAGRAPH 1 ABOVE FOR CREDITS OR CREDIT GUARANTEES FOR LOCAL COSTS CARRYING INTEREST RATES OR MATURITY TERMS MORE FAVORABLE THAN THOSE SUPPORTED FOR THE EXPORTS OF GOODS AND SERVICES TO WHICH SUCH LOCAL COSTS ARE RELATED.
3. "LOCAL COSTS" MEAN EXPENDITURE FOR THE SUPPLY OF GOODS AND SERVICES FROM THE BUYER'S COUNTRY. THESE GOODS AND SERVICES MUST BE NECESSARY EITHER FOR EXECUTING THE EXPORTER'S CONTRACT OR FOR COMPLETING THE PROJECT OF WHICH THE EXPORTER'S CONTRACT FORMS PART.
4. THE ELEMENTS FIGURING IN PARAGRAPHS 1, 2 AND 3 DO NOT APPLY TO:
 - A) TRANSACTIONS THAT ARE FOR PURELY MILITARY PURPOSES UNDER CONTRACTS NEGOTIATED OR IN COURSE OF NEGOTIATION BETWEEN THE DEFENSE AUTHORITIES OF A PARTICI-

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PATING GOVERNMENT AND ANY OTHER GOVERNMENT;

B) TRANSACTIONS WITH DEVELOPING COUNTRIES WHICH ARE ELIGIBLE FOR CONSIDERATION AS OFFICIAL DEVELOPMENT ASSISTANCE (ODA) BY THE DEVELOPMENT ASSISTANCE COMMITTEE OR WHICH, ALTHOUGH FINANCED WHOLLY OR IN PART FROM OTHER FUNDS THAN ODA COME UNDER A PARTICIPATING COUNTRY'S AID SCHEME.

5. ANY DEROGATION FROM ELEMENTS FIGURING IN PARAGRAPHS 1, 2 AND 3 SHALL TAKE PLACE ONLY IN EXCEPTIONAL CASES.

6. ANY SUCH DEROGATION SHALL BE NOTIFIED DIRECTLY TO ALL MEMBERS OF THE GROUP BY THE MEMBER CONCERNED BY THE TRANSACTION IN QUESTION AT THE LATEST SIMULTANEOUSLY WITH THE NOTIFICATION TO ITS SUPPLIER, SO AS TO PROVIDE FOR THE OTHER MEMBERS OF THE GROUP ADEQUATE TIME TO MATCH THE TERMS INVOLVED.

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7. EACH NOTIFICATION SHALL SPECIFY:

A) THE TOTAL AMOUNT OF LOCAL COSTS

B) THE AMOUNT OF THE PAYMENTS TO BE RECEIVED BY THE DATE OF COMPLETION OF THE EXPORTER'S CONTRACTUAL OBLIGATIONS;

C) THE VALUE OF GOODS AND SERVICES EXPORTED;

EACH OF THESE PARTICULARS BEING EXPRESSED AS A PERCENTAGE OF THE TOTAL VALUE OF THE OFFICIALLY SUPPORTED CONTRACT.

8. IF A MEMBER SHOULD WISH TO WITHDRAW HIS DECLARATION

HE WOULD INFORM THE CHAIRMAN OF THE GROUP 30 DAYS IN
ADVANCE.

(1) IN THIS RESPECT, ATTENTION WAS DRAWN TO THE COMMUN-
ICATION OF THE EEC FIGURING IN PARAGRAPH 2 OF DOCUMENT
TC(75)6.

(2) THE DATE OF COMPLETION BEING DETERMINED ACCORDING TO
THE ACCEPTED STANDARDS OF THE BERNE UNION FOR THE DETER-
MINATION OF STARTING POINTS FOR CREDITS.

END TEXT

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